

STATE OF MAINE  
PUBLIC UTILITIES COMMISSION

Docket No. 2002-496

July 23, 2003

MID-MAINE TELECOM, Request for  
Universal Service Funding

ORDER APPROVING LOCAL  
RATE PLAN

WELCH, Chairman; DIAMOND and REISHUS, Commissioners

---

## **I. SUMMARY**

In this Order we approve the plan filed by Mid-Maine Telecom for its rates for local exchange service to increase to Verizon levels simultaneously with changes to Mid-Maine's basic service calling areas (BSCAs).

## **II. BACKGROUND**

On March 5, 2003, in this docket, we approved universal service funding for Mid-Maine Telecom. Chapter 288, § 3(C)(3) requires that local exchange carriers that receive universal service funding must establish "local basic service rates that are no less than those of Verizon exchanges that have Basic Service Calling Areas of a similar size." In Mid-Maine's most recent rate case, Docket No. 2000-810, the Commission approved a stipulation under which Mid-Maine, on June 10, 2001, increased its basic residential and business exchange rates by approximately 50% of the difference between its then current rates and those of Verizon Maine for exchanges of the same size.<sup>1</sup>

The March 5 Order also required Mid-Maine, within 60 days, to file a plan for increasing its rates "the rest of the way to Verizon levels." We noted that we would approve a plan under which the Company proposed to implement rates equal to those of Verizon at the time that the BSCA changes are implemented, but that Mid-Maine could propose and justify an alternative plan. We further noted that at the time the Company's local rates are increased, the amount the Company receives from the MUSF will decrease to offset the revenue gains resulting from the increases.<sup>2</sup>

---

<sup>1</sup> Mid-Maine also adjusted its access rates to an amount that exceeded the NECA 5 level effective in 1999.

<sup>2</sup> The Order also required Mid-Maine to reduce its access rates on June 1, 2003 to the same level as its interstate access rates that were in effect on July 1, 2002. Mid-

An exception contained in Section 3(C)(2) of Chapter 288 allows rural ILEC USF recipients to phase in the required local rate increases over no more than 3 years. We granted that exception to Mid-Maine so that at least some of the necessary rate increases for Mid-Maine customers would coincide with increases in BSCAs, expected in December 2003. That change consists of the addition of all contiguous exchanges to all BSCAs, required by December 2002 amendments to the Commission's BSCA Rule, Chapter 204.

### III. MID-MAINE'S PROPOSAL

Mid-Maine filed a plan on May 15, 2003, which proposed that, concurrent with the implementation of new BSCA routes for contiguous exchanges, it would increase its local exchange rates to the level of Verizon rates of equivalently-sized exchanges, based on Verizon's rates as of October 1, 2003. Mid-Maine stated that it chose the Verizon rates as of October 1, 2003, "because those rates will be known sufficiently in advance to prepare the rate schedules and calculate the revenue impacts."

While Verizon's rates that will be in effect on October 1, 2003 may be ascertainable well in advance, we believe the intent of the Rule is that the local rates of a USF recipient should match (or, under the Rule, exceed) the Verizon rates in effect at any given time. Verizon will be increasing its rates when BSCA changes are implemented, probably in December. Mid-Maine proposes to time its increases to the date of the BSCA changes (which will be the same date for all ILECs); part of the justification for using that date is to provide customers with the benefit of larger BSCAs at the same time rates are increased. It is therefore appropriate that the ultimate Verizon rate target should be the Verizon rates that are in effect following the implementation of the BSCA changes. The changes that will occur at the *time of additional* BSCA implementation are shown on the attached table.

---

Maine has complied with that portion of the order and the revised rates are now in effect.

## Proposed Local Rate Increase

Basic Service Description	Current Rate	New Rate	Change	% Increase
<b>Local Exchange Service - Levant</b>				
PREMIUM SERVICE				
Residential one-party	14.66	17.84	3.18	22%
Business one-party	29.87	37.25	7.38	25%
<b>Local Exchange Service – Old Town Rural</b>				
PREMIUM SERVICE				
Residential one-party	14.87	17.84	2.97	20%
Business one-party	35.22	37.25	2.03	6%
ECONOMY SERVICE				
Residence one-party	11.96	16.34	4.38	37%
<b>Local Exchange Service - Alton</b>				
PREMIUM SERVICE				
Residential one-party	14.87	17.84	2.97	20%
Business one-party	35.22	37.25	2.03	6%
ECONOMY SERVICE				
Residential one-party	11.96	16.34	4.38	37%
Business one-party	25.30	34.10	8.80	35%
<b>Local Exchange Service - Plymouth</b>				
PREMIUM SERVICE				
Residential one-party	13.27	16.63	3.36	25%
Business one-party	33.51	36.25	2.74	8%
ECONOMY SERVICE				
Residential one-party	10.22	15.13	4.91	48%
Business one-party	22.81	33.20	10.39	46%
<b>Local Exchange Service – West Enfield</b>				
PREMIUM SERVICE				
Residential one-party	15.22	17.00	1.78	12%
Business one-party	34.79	36.57	1.78	5%
ECONOMY SERVICE				
Residential one-party	13.72	15.50	1.78	13%
Business one-party	31.71	33.49	1.78	6%

Following discussions with Staff and the Public Advocate, Mid-Maine has indicated that it is willing to implement a further rate change early in 2004 (probably during March) that will increase its local rates to the same as Verizon's rates after

implementation of the BSCA changes.<sup>3</sup> Verizon's rates will change to reflect the changes to its BSCAs. Verizon has also proposed that it eliminate its local service rate groups at the same time.<sup>4</sup> If we approve that change, Mid-Maine's revised rates must take both changes into account. Verizon will also need to implement a further access reduction on or before May 31, 2005, and it is possible that action would result in an increase to Verizon's local rates.<sup>5</sup>

#### IV. CHANGE IN UNIVERSAL SERVICE FUNDING

Providing that the Company's total revenue requirement authorized by the Commission remains unchanged, each time the Company's local rates are increased, the amount the Company receives from the MUSF must decrease to offset the revenue gains resulting from the local rate increases, and the Commission must order a change in the amount of USF that the Company will receive. Mid-Maine has not provided a revenue calculation for the December 2003 local rate increase. At that time, as stated in Mid-Maine's filing, the USF for Mid-Maine should decrease by that amount.

Mid-Maine also included the following as part of its plan:

Upon implementation of the new BSCA Rule changes, the MUSF amount will be adjusted on a *revenue neutral* basis by adding to the annual MUSF payment amount an amount equal to the annual revenue loss or increased cost resulting from the implementation of the new BSCA Rule changes.... (emphasis in original)

---

<sup>3</sup> Mid-Maine sent an e-mail on July 14, 2003, stating its agreement to the further rate change. The e-mail has been placed in the record.

<sup>4</sup> While the elimination of rate groups, if approved by the Commission, would be on a revenue-neutral basis, the rates for the customers in areas that were in former rate groups with smaller calling areas would increase, and rates for customers in areas that formerly had rate groups with larger calling areas would decrease. We note that Chapter 288, § 3(D)(1) allows a USF recipient to have a rate design different from Verizon's as long as its local rates produce the same amount of revenue. Mid-Maine has not indicated that it intends to use this provision.

<sup>5</sup> The timing of Verizon's next access rate reduction is the subject of a Commission investigation. *Public Utilities Commission, Investigation of Compliance of Verizon Maine with Amended 35-A M.R.S.A. § 7101-B*, Docket No. 2003-358, Notice of Investigation (May 28, 2003). Verizon has filed a proposal to delay any further access rate reductions until May 31, 2005. A notice of an opportunity to intervene in that proceeding and to file comments about Verizon's proposal has been sent to carriers and other persons. The extent, if any, to which Verizon's rates are increased in conjunction with the access rate decrease will likely be determined in that proceeding. See *Public Utilities Commission, Order (Post-Remand No. 1)*, Part 2 at 3-5, 17 n. 20 (July 14, 2003).

The prior order in this case required Mid-Maine only to file a plan for increasing local rates for the purpose of receiving USF. Mid-Maine has proposed to include BSCA recovery in this docket as well. Mid-Maine's statement could be viewed as a request for a guarantee that it will recover a specific amount of revenue lost as a result of implementing the changes to its BSCAs (providing calling areas that include all contiguous exchanges). In fact, those losses are subject to the tracking account and recovery provisions of Chapter 204, § 5(C). Following discussions with the Commission Staff, Mid-Maine on June 15, 2003 filed the following clarification:

...when the BSCA [changes are] implemented, Mid-Maine expects that the objective will be to estimate as accurately as reasonably possible the lost revenues and costs resulting from implementation of the new BSCA Rule, and that recovery of those estimated lost revenues and costs will commence simultaneously with the implementation of BSCA. Mid-Maine understands that the tracking account will be employed so as to determine the amount to which the actual revenue loss and costs might differ from those estimates, but the tracking account will not be used as a substitute for a best effort to produce an accurate estimate at the time of the implementation of the new BSCA Rule. Finally, although Mid-Maine understands that the new BSCA Rule does not "guarantee" recovery by the telephone company of under-recovery amounts in the tracking account, Mid-Maine also understands that it has been the practice of the Commission that implementation of BSCA changes are treated as a revenue neutral event and that there are no known reasons at this point to digress from this practice with regard to Mid-Maine.

We have recently opened dockets for all ILECs to address BSCA implementation issues. Mid-Maine's docket number is 2003-490. Because Mid-Maine has already demonstrated a need for USF, however, any BSCA-related revenue loss will create a need for additional USF and will be covered by the USF. Initially, that amount should be based on an estimate the Commission finds to be reasonable. The amount of USF the company receives for BSCA-related revenue loss will then be subject to adjustment (and possible recovery or refund of under-recovery or over-recovery) pursuant to the Chapter 204 tracking mechanism.

We therefore believe it makes sense for ILECs, such as Mid-Maine, that are receiving USF and that wish to include an estimate of BSCA-related revenue loss in the USF amount to file those requests and estimates in the USF cases, which for Mid-Maine is Docket No. 2002-496. The USF cases will also address any issues concerning the tracking account required by Chapter 204, § 5(C)(1) and possible adjustments to USF amounts pursuant to Section 5(C)(2).

Mid-Maine shall file changes to Terms and Conditions that describe its BSCAs and calling options in Docket No. 2003-490. Because those pages may be the same pages that contain its new rates, it may also file rate schedules in that docket, but its cover letter(s) should indicate that they are the rates ordered by or pursuant to this docket (i.e., Docket No. 2002-496).

In its plan, Mid-Maine provided no estimates or calculations of either anticipated revenue loss attributable to BSCA expansions or revenue gain that will occur by increasing its rates to Verizon levels (i.e., those that will be effective on October 1, 2003). For the BSCA calculation, it may be difficult to provide annual (or annualized) access minutes for the specific toll routes that will be eliminated when contiguous exchanges are added to the BSCAs. Mid-Maine has agreed to provide data for the BSCA calculation that is reasonably representative of annual data. We direct Mid-Maine to provide both the access loss and local rate gain information, along with backup materials, no later than October 3, 2003. Following filing of that data, we will review it and modify the amount of USF that Mid-Maine will receive.

Accordingly, we

1. APPROVE the plan filed on May 2, 2003, by Mid-Maine, Inc. for implementing local rate increases, as required by Chapter 288, § 3(C)(3) and by prior order in this docket.

2. ORDER Mid-Maine, Inc., no later than October 3, 2003, to file access revenue loss and basic service revenue gain calculations based on the latest available billing units. Mid-Maine shall demonstrate that the access revenue loss calculation is reasonably representative of annual loss that will occur due to the implementation of new BSCAs.

Dated at Augusta, Maine, this 23<sup>rd</sup> day of July, 2003.

BY ORDER OF THE COMMISSION

---

Dennis L. Keschl  
Administrative Director

COMMISSIONERS VOTING FOR: Welch  
Diamond  
Reishus

## NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within **21** days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.